

Message Text

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FM AMEMBASSY LUXEMBOURG

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E. O. 11652: N/A

TAGS: ETRD, LU

SUBJECT: CIVIL AVIATION, RECIPROCAL EXEMPTION FROM CUSTOMS
DUTIES AND TAXES ON AIRCRAFT SUPPLIES

REF: STATE 103187

1. ON MAY 7 ECON OFFICER DISCUSSED CARGOLUX APPLICATION FOR EXEMPTION FROM CERTAIN CUSTOMS DUTIES AND INTERNAL REVENUE TAXES WITH PIERRE HAMER, GOL DIRECTOR OF CIVIL AVIATION AND ROGER ZIETZEN, MANAGING DIRECTOR FOR LUXAIR AND A DIRECTOR OF CARGOLUX. HAMER THOUGHT THAT BEST WAY TO OBTAIN OFFICIAL INDICATION BY GOL AS DESCRIBED PARA 5 REFTEL WAS FOR ECON OFFICER AND HAMER TO EXCHANGE LETTERS ON THE SUBJECT. HAMER FORESAW LITTLE DIFFICULTY IN OBTAINING THE NECESSARY GOL ASSURANCES OF RECIPROCAL TREATMENT BUT INDICATED THAT THE MATTER OF TAX EXEMPTION REQUIRED INTERMINISTERIAL COORDINATION. HE SAID THAT HE WOULD UNDERTAKE THIS COORDINATION UPON RECEIPT OF LETTER OUTLINING DETAILS. ACCORDINGLY, ECON OFFICER, DRAWING UPON REFTEL, SENT LETTER TO HAMER MAY 7 EXPLAINING U. S. NEED FOR OFFICIAL INDICATION OF RECIPROCITY BEFORE GRANTING IMPORT DUTY AND TAX EXEMPTIONS TO CARGOLUX.

2. CARGOLUX IS LUXEMBOURG DOMICILED CHARTER FREIGHT CARRIER
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ESTABLISHED IN 1970 BY LUXAIR (LUXEMBOURG'S NATIONAL

AIRLINE), LOFTLEIDER (AIR ICELANDIC) AND SALEN AND WICANDER, SWEDISH SHIPPING COMPANY. ACCORDING TO ZIETZEN, THE SWEDISH GROUP (WHICH ALSO INCLUDES REDERIAKTIE BOLAGET SALENIA), SEEKING TO DIVERSIFY ITS ACTIVITIES, APPROACHED LUXAIR AND AIR ICELANDIC WITH PROPOSAL FOR JOINT VENTURE. CARGOLUX'S SOCIAL CAPITAL IS CURRENTLY 30 MILLION FLUX IN 60 THOUSAND SHARES WITH A NOMINAL VALUE OF 500 FLUX EACH. EACH GROUP (SWEDISH, ICELANDIC AND LUXEMBOURG) CONTROLS 20,000 SHARES WITH LUXEMBOURG SHARES DIVIDED BETWEEN LUXAIR, BANQUE GENERALE, BANQUE INTERNATIONALE, AND THE STATE SAVINGS BANK. MANAGERIAL CONTROL IS EXERCISED BY THREE MANAGERS WITH THE SWEDISH GROUP CHOOSING THE SALES MANAGER, ICELANDIC THE OPERATIONS MANAGER AND LUXAIR THE FINANCIAL MANAGER.

3. CARGO LUX IS A CHARTER FREIGHT SERVICE WHOSE MOTTO IS THAT IT WILL "FLY ANYTHING ANYWHERE." ITS MAJOR BUSINESS HOWEVER IS FLYING GOODS FROM THE FAR EAST, MAINLY FROM HONG KONG, SINGAPORE AND BANGKOK, TO LUXEMBOURG. IN ORDER TO AID IN THIS TRAFFIC, THE GOL RECENTLY NEGOTIATED AN AIR TRANSPORT AGREEMENT WITH SINGAPORE AND IS CURRENTLY NEGOTIATING ONE WITH THE USSR FOR OVERFLIGHT RIGHTS. AGREEMENT WITH SOVIETS PROVIDING FOR CARGOLUX FUELING STOP IN TASHKENT IS EXPECTED TO BE SIGNED IN MOSCOW DURING GRAND DUKE'S STATE VISIT TO USSR, JUNE 5-10, 1975. THE CARGOLUX FLEET CONSISTS OF SIX SWING-TAIL CL-44 CANADAIR AIRCRAFT AND 2 DOUGLAS DC-8 FREIGHTERS. THE DC-8S ARE LEASED FROM SEABOARD.

4. AFTER SHOWING A SMALL LOSS IN 1971 AND 1972 (1MILLION FLUX EACH YEAR), CARGOLUX POSTED SMALL PROFITS IN 1973 AND 1974 (2 MILLION FLUX EACH YEAR). ZIETZEN EXPECTS THE COMPANY TO INCREASE ITS PROFITS IN 1975. INCOME IN 1973 WAS OVER 600 MILLION FRANCS AND IS ESTIMATED AT OVER 800 MILLION IN 1974 (FINAL FIGURES FOR 1974 NOT YET AVAILABLE).

5. ZIETZEN SAID THAT THE MAIN REASON FOR REQUESTING EX-EMPTION FROM DUTIES IS TO REDUCE THE COST INVOLVED IN FERRYING THE DC-8S FOR SERVICING BY SEABOARD. HE SAID THAT, LIMITED OFFICIAL USE

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AT PRESENT CARGOLUX HAS NO LANDING RIGHTS IN THE U. S. AND THAT THE PLANES ARE FLOWN THERE UNDER SUBCHARTER TO AIR ICELANDIC. ZIETZEN CONFIRMED THAT CARGOLUX IS SEEKING TO EXPAND ITS ACTIVITIES, MAINLY IN THE FAR EAST AND IN AFRICA. HE DID NOT RULE OUT THE POSSIBILITY OF EVENTUALLY FLYING CARGO CHARTERS TO THE U. S., BUT THOUGHT THAT CARGOLUX WOULD CONTINUE TO CONCENTRATE IN THE NEAR FUTURE ON THE MARKETS IT KNOWS BEST.

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